

# HAMPSHIRE COUNTY COUNCIL

## Decision Report

<b>Decision Maker:</b>	Executive Member for Culture, Recreation and Countryside
<b>Date:</b>	18 September 2017
<b>Title:</b>	Transformation to 2019 (T2019) Savings Re-investment Proposal at Calshot Activity Centre
<b>Report From:</b>	Director of Culture, Communities and Business Services

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### 1. Executive Summary

- 1.1 This report seeks approval to the project proposals for the inclusion of 10 camping Pods at Calshot Activities Centre, at an estimated total cost of £400,000.
- 1.2 This report seeks to obtain spend and procurement approval for contracting activity associated with the project.
- 1.3 This report also notes the intention to take a recommendation to the Executive Member for Policy and Resources to seek approval to the retention of 100% of the capital receipts from the sale of assets which will contribute to the overall costs associated with the project.
- 1.4 The report provides the background to an income generating proposal that has emerged from a business analysis and associated business case linked to T2019 financial targets. These targets are predicated by the objective of retaining a core service for Hampshire's young people, and residents, but to do so in a way that has a positive impact on the cash limit for the Outdoor Service overall. The report provides a summary of the scope, financial impact, and options analysis underpinning a proposed project to help support and sustain the future operation of the centre.

### 2 Contextual Information

- 2.1 The Centre is one of the largest Outdoor Adventure Residential centres in the Country. Situated on a spit and surrounded by the Solent the centre offers a wide range of indoor and outdoor activities across all age ranges. The land is leased from the Crown Estate and the Council has a 125 year full repairing lease of which there are 92 years remaining. Many of the buildings on site are listed and the three main hangers house the main reception and facilities; climbing wall; Ski slope; and velodrome. The two other main hangers cater for the water sports element of the operation and also large team building areas. There are three main accommodation units and one large residential dining area. Other small buildings on site are

leased to third parties including the Royal National Lifeboat Institution, Associated British Ports, and Calshot Sailing Club.

- 2.2 As part of the department's T2019 plan for achieving its T2019 savings a detailed assessment of customer data, market conditions, and business opportunities, was undertaken across the Outdoor Service. This was done to identify the most appropriate opportunities to address the agreed financial target. The analysis also highlighted the feasibility to consolidate assets in order to invest where the best income generation opportunities existed to support the delivery of savings for T2019. It is this work that leads to the recommendations in this report.
- 2.3 It is proposed to procure and introduce 10 new camping Pods on the site of Calshot Activities Centre (see appendix G for site plan). This would add additional accommodation for up to 40 customers. The facility would be marketed as family lets to the wider community who then could access the facilities that the centre has to offer. Property Services will manage the planning and implementation of the services that the Pods require, including water & electricity. The concept and approach adopted would build upon the experience gained from introducing a similar facility at the Tile Barn outdoor centre which has proved very successful.

### **3 Scope of the project**

- 3.1 The project will better utilise the area of land on site currently used as a camping field. The whole camping area available, which includes the main field and the creek side location, is made up of 41 plots. These plots generated £45,000 of income in 2016/17. Extensive analytical work has been undertaken to identify that with the inclusion of the 10 Pod units, nearly £70,000 of additional revenue could be realised. This project will provide an additional new facility with capacity for 40 family members from the wider community of Hampshire.
- 3.2 Each pod would sleep up to four people with basic amenities and white goods. It is proposed that the works be procured through the normal tender process with Corporate Procurement assistance. It is anticipated that works will commence on site during 2017/18 and be completed during 2018.
- 3.3 Funding for this project would come from two sources with the majority from capital receipts. An estimated £250,000 will be realised from the capital receipt from the sale of the Birch Grove centre and £20,625 has already been secured from the sale of The Privet Centre. The Birch Grove facility is a small satellite facility of the Hampshire and Cass Mountain centre and has been identified as surplus to core business requirements within the context of consolidating and securing business within the main centre. The balance of funding would be from the CCBS Department's Cost of Change Reserve. This report outlines the available budget from within which the project would be designed and delivered.

## 4 Finance

### 4.1 Capital Expenditure:

<b>Capital Expenditure</b>	<b>£'000</b>
Buildings	374
Fees	26
<b>Total</b>	<b>400</b>

<b>Financial Provision for Total Scheme</b>	<b>Buildings £'000</b>
1. CCBS Cost of Change reserve	129
2. Capital Receipts for which approval is sought*	271
<b>Total (including Contingency for groundworks)</b>	<b>400</b>

\*subject to the Executive Member for Policy and Resources approval for the retention of 100% of one of the capital receipts

### 4.2 Inflation

4.2.1 The Director of Culture Communities and Business Services will continue to apply downward pressure on costs, as far as practicable, to counter the rising prices currently being experienced in the construction industry due to inflation and the shortage of capacity and resources. The current estimate is subject to inflationary increases up to the time of financial close and concluding a fixed price. The latest assessment of the uplift required is £400,000 including fees. Funding from capital receipts and cost of change has been identified albeit the project would require cash flow planning initially. The capital charges are based on the maximum provision.

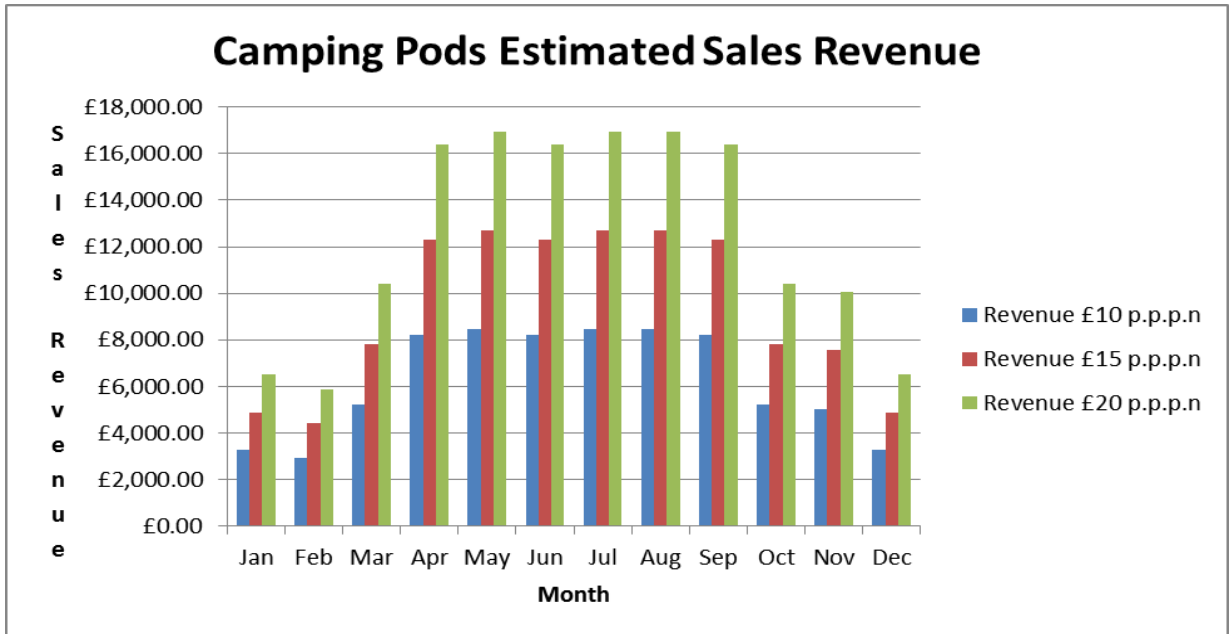
### 4.3 Revenue Projections

4.3.1 For operational and security issues the proposed units would not be offered to schools who use the existing accommodation blocks. Therefore the units will be marketed as holiday lets and self catered accommodation for the centre's various skills courses i.e., sailing, first aid and the pay & play provision to be introduced at the centre shortly. The centre already operates a system of seasonal pricing which will also be applied to the offer of this provision. This presents a further opportunity to upsell activity provision as part of the offer and increase revenue streams. This prospect is evidenced by the experience gained, and income delivered, from implementing and running the pod development at Tile Barn Outdoor Centre. The upsell performance at this site over the first full summer has resulted in 20% of all participants buying extra paid for activities.

4.3.2 The Calshot revenue projection was based upon estimated average occupancy levels of 25% during the months of December-February, 40% during October, November and March and 65% April-September.

The monthly revenue calculation in the graph below also includes 5% additional secondary revenue for activities e.g. £5000 rent + £250 activities = £5,250 revenue. A figure of 5% secondary revenue per month was chosen as using this method of calculation would increase secondary spend in proportion to primary spend.

4.3.3 The graph below illustrates the monthly income level of the three scenarios:



4.3.4 The graph requires little explanation due to the simplicity of the analysis; however it is clear that the £15 & £20 scenarios would generate consistently more revenue than £10. The graph shows significantly lower revenue generation in December due to the closure of the site for two weeks and an overall lower income in the winter months predominantly due to seasonal weather.

4.3.5 The pods will incur estimated utility costs of £2,000 and cleaning costs of £12,000 a year. The annual revenue budget impact of this proposal can be summarised below:

	(a)	(b)	(c)	(d)	(a+b+c-d)
Revenue implications	Employees	Other	Capital charges	Income	Net income
	£000	£000	£000	£000	£000
Additional expenditure and income	0	14	26	106	66

4.3.6 A Discounted Cash Flow table is contained within appendix E and demonstrates the estimated pay back period of the initial capital outlay of £400,000. The table is based on the £15 scenario and demonstrates

a return on investment of four years. The centre is currently in the process of introducing additional Pay & Play options as part of their activity provision in order to meet with anticipated demand.

## **5 Risk & Impact Issues**

- 5.1 Please see Integral Appendix B for a summary of the risk and impact issues considered in relation to the design of this project.
- 5.2 A pre planning application was submitted to the New Forest National Park Authority in June 2017 and the recommendations given are being considered prior to a full planning application being submitted. This process is being managed by Property Services.

## **6 Consultation**

- 6.1 The following individuals and groups have been consulted during the development of this project and feedback is summarised in Appendix C:

Senior Management Team at Calshot and across the Service  
Senior Instructors and other staff members of the centre/Service  
CCBS Property Services and Transformation team  
Executive Member for Culture, Recreation & Countryside  
Local County Councillor  
Calshot Association  
Access Officer  
Planning Department

## **7 Recommendations**

That the Executive Member for Culture, Recreation and Countryside:

- 7.1 Approves the project proposals for the 10 Camping Pods at Calshot Activities Centre, at an estimated total cost of £400,000 subject to the Executive Member Policy and Resources decision with regard to the capital receipt.
- 7.2 Grants procurement and spend approval for contracting activity associated with the project.
- 7.3 Notes the intention to take a recommendation to a future Executive Member for Policy and Resources Decision Day seeking approval to the retention of the capital receipts from the sale of assets deemed surplus to core operational requirements in order to re-invest and finance elements of the proposed Camping Pods project (including 100% retention of the potential £250,000 capital receipt for Birch Grove).
- 7.4 Notes the intention to take a recommendation to a future Executive Member for Policy and Resources Decision Day for the proposal to invest in the Camping Pods, subject to confirmation of funding, be added to the 2017/18 Policy and Resources Capital Programme.

**CORPORATE OR LEGAL INFORMATION:****Links to the Strategic Plan**

<b>Hampshire maintains strong and sustainable economic growth and prosperity:</b>	yes
<b>People in Hampshire live safe, healthy and independent lives:</b>	no
<b>People in Hampshire enjoy a rich and diverse environment:</b>	yes
<b>People in Hampshire enjoy being part of strong, inclusive communities:</b>	yes

**Section 100 D - Local Government Act 1972 - background documents**

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

Document

Location

None

## **RISK & COMBINED IMPACT ASSESSMENT:**

### **1. Equality Duty**

1.1 The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
- Advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

**Due regard in this context involves having due regard in particular to:**

- a) The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;
- b) Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;
- c) Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

#### **1.2 Equality Impact Assessment:**

- a) An EIA has been completed for this project and it is deemed that the proposal will have a positive impact in providing access to the centre and its facilities by many groups. It will have a low or no impact on groups with protected characteristics or

### **2. Impact on Crime and Disorder:**

2.1 The County Council has a legal obligation under Section 17 of the Crime and Disorder Act 1998 to consider the impact of all the decisions it makes on the prevention of crime and disorder in the County. The proposals in this report have no impact on the prevention of crime.

### **3. Fire Risk Assessment**

3.1 Through the tender process it will be determined that the Pods meet with the Fire regulations in place and they will be integrated within the normal Fire Risk Assessments and control measures the centre currently has in place.

- 3.2 With respect to fire safety and property protection, the proposals will be risk assessed in line with the agreed Property Services procedures, and confirmed that the provision of sprinklers is not required in this instance.
- 3.3 The project proposals will adhere to the current fire safety regulations as determined by the fire officer.

#### **4. Health and Safety**

- 4.1 Design risk assessments, pre-construction health & safety information and a Health & Safety File will be produced and initiated in accordance with the Construction Design and Management Regulations for the proposed scheme.

#### **5. Climate Change:**

- 2 The project will incorporate the following sustainability features:

Insulated buildings.

A site waste management plan will be developed to ensure that during construction the principles of minimising waste are maintained.

Energy efficient lighting and heating controls, as determined by the manufacturer to ensure the minimum energy is used.

External lighting to provide safe access and emergency escape routes.

Low water-consumption sanitary installations.

Natural ventilation to main spaces.

Removable pads on which the Pod units sit on in order that the land can be transformed back to its natural setting should the units be required to be moved.



**FEEDBACK FROM CONSULTEES:****OTHER FORMAL CONSULTEES:**

<b>Member/ Councillor</b>	<b>Reason for Consultation</b>	<b>Date Consulted</b>	<b>Response:</b>
Councillor Alexis McEvoy	Local Member for South Waterside	Various dates through the Calshot Association	Cllr McEvoy is not against the pods in principle but does not regard the current location as appropriate

**Calshot ASSOCIATION MEMBERS FEEDBACK**

<b>Member/ Councillor</b>	<b>Reason for Consultation</b>	<b>Date Consulted</b>	<b>Response:</b>
Calshot Association Members, Executive Committee	Current users of the site who may be affected by development	Various dates	Feedback has mainly focused on loss of space for both Campers and windsurfers. See Appendix G for full details.

**Discounted cash flow - based on £15 pppn and discount factor of 3.5%**

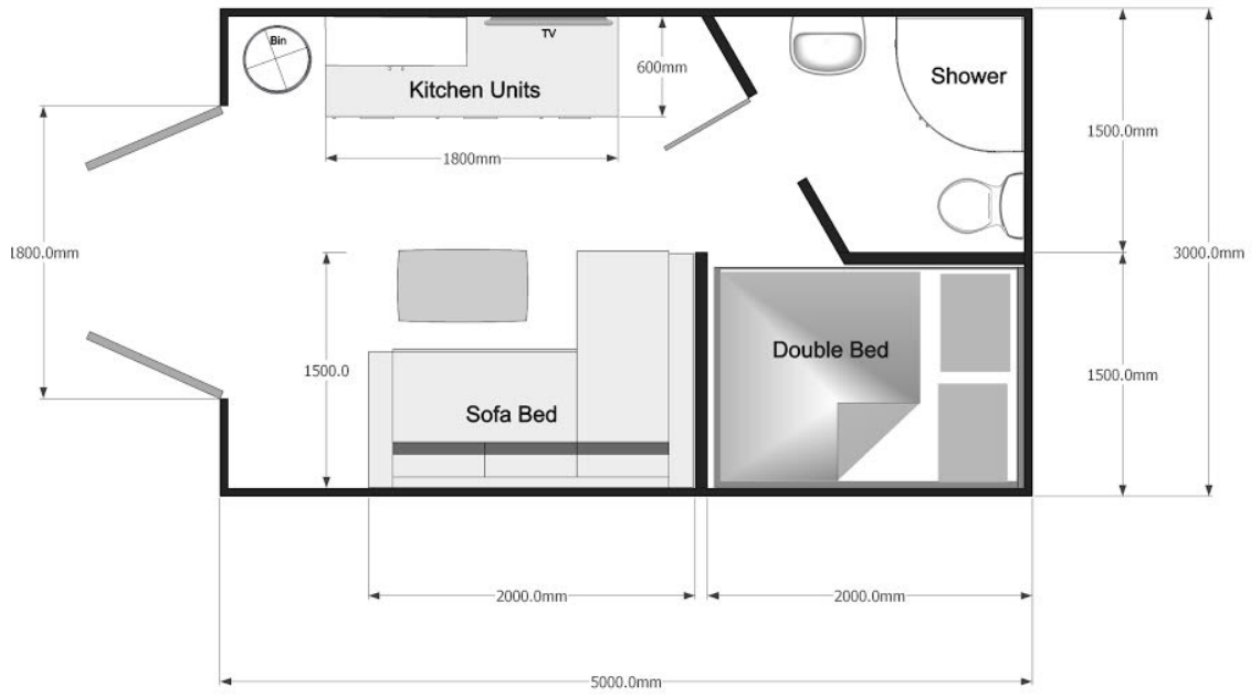
	Year 0 £'000	Year 1 £'000	Year 2 £'000	Year 3 £'000	Year 4 £'000	Year 5 £'000
Upfront Cost	(400)	0	0	0	0	0
Annual cost	0	(14)	(14)	(14)	(14)	(14)
Annual income	0	113	124	131	137	144
Annual position	(400)	99	110	117	123	130
Discount factor	1.00000	0.96618	0.93351	0.90194	0.87144	0.84197
Discounted cash flow	(400)	96	103	105	107	109

NPV over 5 years (£'000)	120	Payback period (years)	4
Average annual contribution (£'000)	24	IRR	13%

**Cash flow assumptions:**

- Pods are in place and operational from 1 April 2018
- Annual costs cover additional cost of utilities (£2k) and cleaning (£12k) per annum
- Annual income is assumed to increase by 10% in Year 2 and by 5% in each subsequent year due to increased occupancy, however even if income remains constant at £113k per annum, the NPV is still positive over the 5 year period (£47,000)
- The calculations assume a beneficial impact on secondary spend, increasing this income by 5% with only a marginal increase in associated costs
- The investment cost excludes loose furniture and equipment
- All income and expenditure estimates exclude inflation
- The estimated income is based on a price per person per night of £15 per unit (i.e. £60 per night for 4 occupants) and estimated occupancy levels as set out in paragraph 4.2.2.

Indicative Internal Design



## Summary of consultation feedback from the Calshot Association

The project, and background to it in terms of seeking initiatives to broaden the appeal and financial viability of the centre and its facilities, was raised at the Calshot Association Executive Committee meeting in January 2017, and also the Association's Annual General Meeting in June 2017. Responses were mixed as some association members welcomed the promotion of the centre and its facilities to a wider audience, while others were concerned about potential loss of access and space to Association members. A summary of the main points raised is provided below along with the context within which they may be seen:

- Some members welcomed the fact that the project will encourage more people to use both the centre and facilities on site, in a family friendly manner, and also the fact that this would include non-club members gaining access to the site
- Some comments pointed to the potential to attract new members once people have visited and used the pods and facilities, at a time when everyone is working hard to get new members
- One member welcomed the new capacity for visiting friends who are not club members and as such are currently excluded from using the site
- Concerns were expressed by some members about parking and traffic related issues associated with the pods and use of the site.  
*The Centre has undertaken a traffic management assessment and a new traffic management plan (including automatic number plate recognition) is currently being implemented to improve traffic management and parking overall on the site*
- Concerns were expressed by some members about potential access restrictions to the waters edge directly from their cars and in areas they have traditionally used freely.  
*There is no universal right to have unrestricted or uncontrolled access to the water around the spit and indeed there is a need to control such access in a responsible manner. The new traffic management system will address this and any work associated with the pod project will ensure that reasonable and easy access is given to club members, and activity users, legitimately accessing the water with their equipment. It is not realistic to expect wholly unrestricted access on a multi-use site such as Calshot and a fundamental aim of the project is to sustain the viability of the site for all users.*
- Some comments were received over the location of the pods with suggestions that the Solent side of the spit would be a better location.  
*This is not practical due to environmental constraints and also the potential impact upon the caravan and camping site*
- Some members did not feel that the 10 pitches should be met at the cost of the existing 41 pitches available to club users.

*These pitches are only fully utilised during a period of approximately three weeks during the year the financial return from the project is likely to benefit all users of the centre in terms of its long-term viability.*

**Proposed Pod location**

